

# TOYOTA

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June 14, 2011

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Re: STB EX PARTE 705

Pursuant to the Board's January 11, 2011 and March 24, 2011 notices of a public meeting to explore the current state of competition in the railroad industry and possible policy initiatives to promote more rail-to-rail competition Toyota Logistics Services, Inc. submits the following comments for your consideration.

The success of the Staggers Act in restoring the financial health of the railroads is not a subject that is debated, even by the railroads themselves. Staggers is widely accepted as facilitating the industry turnaround. The current financial strength and positive outlook for continued success is frequently cited by the railroads in statements to investors.

What has changed is the environment. The railroad industry today acts as a duopoly with four major railroads strongly dominating revenues and shipments, a far different situation than in 1980. The railroads have also recently benefitted from public-private funding of several capital projects.

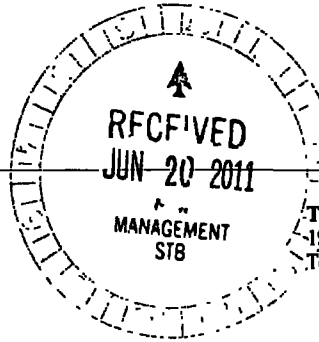
Toyota has long held the belief that enhanced competition will result in lower rates, better service and increased innovation. Our experience in the highly-competitive automotive industry certainly supports this hypothesis.

We feel that adequate and effective competition will help create and maintain a "self-correcting" rail system, one in which the railroads quickly address service issues and where actual marketing and operating conditions determine rates. When railroads control access to shippers located on their lines, it insulates the railroads from market forces when dealing with those "captive" shippers.

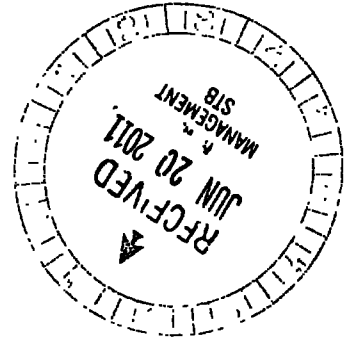
We encourage the STB to examine the current situation and consider means by which the objectives of the Staggers Act can continue to be met, but at the same time develop and implement changes, if needed, to maintain an effective competitive environment. It is effective competition that will ensure rail remains customer-focused, cost-competitive and service-sensitive, without unwelcome regulation.

Sincerely,

*Nancy Davies*



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